



CORPORATE EXPOSURE: Pre-Paid Legal Plans

Harry P. Mirijanian

The complexity that surrounds formerly routine activities—home purchases, home or business expansions, submitting employment applications, obtaining medical reimbursements, etc.—has created a demand among employees for legal assistance or advice. A growing number of organizations are helping employees by offering pre-paid legal plans.

There are three key reasons why companies are offering these programs—and why they are so popular. First is the litigious society in which we live; almost everyone at some time or another will need to seek legal advice. Second is cost. The fees for legal advice or services are often beyond the means of most employees. Finally, the cost to employers who sponsor such programs is limited.

Anyone who has needed legal services knows that attorney's fees can be exorbitant. Pre-paid legal plans usually begin at \$150 per year, which is deducted from the employee's paycheck. Costs may vary for single or family coverage, but the bottom line is that a pre-paid plan can be a relatively painless way to fund for future legal needs. The more restrictive the benefits of the plan, the lower the cost. If the plan is too constricting, however, fewer employees will participate.

Employer costs are usually one-dimensional and restricted to the administrative time and expense involved in coordinating the program offering. Although some trivialize this expense, the cost can be significant. To offset

these expenses, many of the pre-paid legal vendors are willing to undertake the bulk of the administrative duties and responsibilities, thus reducing the company's costs.

Types of Coverage

What is covered under these plans? Obviously this will vary, depending on the plan selected. Your first step in determining what sort of pre-paid legal plan is necessary in your organization (or whether one is necessary at all) is to conduct an employee survey. Determine what type of services your employees may need. Among the more common offerings in these plans are real estate closings, civil actions, divorces, wills, adoptions, and tenant/landlord matters. Common exclusions are pre-existing legal matters and criminal matters. The first exclusion is easy to understand: attorney cannot be expected to pick up actions over whose expenses they have little or no control. Criminal actions are usually excluded because of the implied moral hazard, not to mention the potentially huge costs.

Common to most plans are unlimited phone advice and maximum caps or benefit levels for using attorneys in or out of the network. Many plans have no caps if the employee selects an attorney within the network. If the attorney is outside the network, maximum benefits and reimbursements may apply.

Selecting a Vendor

How should companies begin the vendor selection process? First, review the potential vendor's attorney network and be certain the attorneys are in the geographical areas where your employees will have easy access. Second, review the credentials of the attorneys in the program. You probably won't want to use a service that includes a large number of

first-year law school graduates. While we don't wish to disparage new attorneys, the fact is that your employees simply may not be comfortable with their lack of experience. Third, perform client reference checks. Call clients who have used the service and get their input. Fourth, determine who answers the phone when an employee calls for assistance. Some plans forward all calls to an intermediary, which means that your employees do not speak directly to an attorney. This is an important point. You do not want to mislead your employees into believing that an actual attorney is only a toll-free call away. Fifth, find out whether the vendor has been or is currently involved in any lawsuits stemming from lack of performance or advice. Employees who receive poor advice—or no advice at all—are not getting the benefit of true legal services.

Finally, be sure the vendor has appropriate and adequate insurance, and that it will name your organization to its policy. Remember that your employees will look to the employer to have conducted a thorough due diligence review—and they may well hold your organization responsible in the event that the vendor performs poorly.

It is our belief that these plans will eventually become a common benefit. In fact, it is likely that your company will find that it has to offer a plan simply to remain competitive with other employers. ■

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